



SABIEDRISKO
PAKALPOJUMU
REGULĒŠANAS
KOMISIJA

CONSULTATION DOCUMENT

on amendments to the Regulations of Use of Inčukalns Underground Gas Storage Facility

12 January 2023
Riga

Ūnijas Street 45
Riga, LV-1039
Latvia

T: + 371 67097200
F: + 371 67097277
E: sprk@sprk.gov.lv

www.sprk.gov.lv

Table of contents

| | |
|--|---|
| I Summary of the consultation document..... | 3 |
| II The necessity of developing draft legislative act..... | 3 |
| 1) The justification..... | 3 |
| 2) Institutions involved in project development | 5 |
| 3) Target groups of the society affected or likely to be affected by the legal framework | 5 |
| 4) Assessment of the impact on target groups of society affected or likely to be affected by the legal framework | 5 |

In the Annex: Draft Decision "Amendments to the Decision No 1/14 of the Public Utilities Regulatory Commission of 1 October 2020 " Regulations of Use of Inčukalns Underground Gas Storage Facility".

I Summary of the consultation document

The aim of the consultation document is to inform the public and to get the opinion of interested parties on the draft decision of the Public Utilities Commission (hereinafter — Regulator) “Amendments to the Public Utilities Commission Decision No.1/14 of 1 October 2020 “Regulations of Use of Inčukalns Underground Gas Storage Facility” (hereinafter — draft Amendments).

Article 15(7) of the Energy Law provides that the Regulator shall approve the regulations for the use of natural gas transmission and storage system or the regulations for the use of natural gas storage facility drawn up by the natural gas transmission and storage, and also liquefied natural gas system operator for all system users and applicants who request access to the relevant system. That provision also provides that the Regulator is entitled to make changes in these regulations.

On the basis of the authorisation laid down in the Energy Law, the Regulator, by Decision No.1/14 of 1 October 2020, approved the regulations “Regulations of Use of Inčukalns Underground Gas Storage Facility” (hereinafter — Regulations), which stipulate that storage capacity products are booked by means of an auction procedure.

The natural gas storage system operator (hereinafter — the system operator) joint stock company “Conexus Baltic Grid” (hereinafter — JSC “Conexus Baltic Grid”), following a public consultation that lasted from 1 September to 15 September 2022, submitted to the Regulator a draft Amendments prepared for approval, which, by determining the regulation of the natural gas injection curve, improves the predictability of the availability of natural gas injection capacity of Inčukalns underground gas storage facility (hereinafter — Inčukalns UGS).

Proposals and comments on the draft Amendments are requested to be submitted in writing to the Regulator by sending them to the e-mail address sprk@sprk.gov.lv by 26 January **2023**.

The draft amendments prepared by the regulator are set out in the Annex to this document.

II The necessity of developing draft legislative act

1) The justification

The aim of the regulation of the natural gas injection curve is to provide the natural gas market participants with the necessary flexibility by guaranteeing them the availability of the natural gas injection capacity of the Inčukalns UGS and reducing the congestion of the storage facility during the natural gas injection season, as well as to create preconditions for the storing of as large quantities of natural gas as possible, contributing to the sustainability of the storage facility.

In early 2022, as Russia invaded Ukraine, the geopolitical situation in Europe and around the world changed significantly, and this has led to major changes in the functioning of the natural gas market in Latvia and the whole region. The new situation in the region’s natural gas market is characterised by the fact that:

- natural gas supplies from Russia will not be carried out at least in the medium term;
- The Klaipeda liquefied natural gas (LNG) terminal has become the main source of natural gas supply in the region until new LNG terminals become operational;
- at the beginning of 2023, the Inkoo LNG terminal will be operational, replacing the historical source of natural gas supply in Finland.

The terms of use of LNG terminals set strict deadlines for the delivery and regasification of LNG cargoes — the schedule is rolling, but basically the delivery and regasification of LNG cargo takes place within a month.

Natural gas injection curve

Given that LNG terminals have become the main sources of natural gas supply and that they are not characterised by a high degree of LNG regasification flexibility, for natural gas market participants an important condition for the successful operation of the natural gas market in the natural gas market become the ability to store natural gas in the Inčukalns UGS according to the planned LNG regasification time. Therefore, the draft Amendments introduce a regulation of the **natural gas injection curve** — a system operator's specified distribution of natural gas injection capacity according to the volume of natural gas storage system user's (hereinafter – system user) booked bundled capacity product or two-year bundled capacity product by gas days of the injection month, which the system operator can provide with constant capacity for the storage of natural gas during the injection season.

The regulation of the natural gas injection curve requires that the system user, when booking a bundled capacity product or a two-year bundled capacity product, at the same time books a corresponding natural gas injection curve for the relevant **injection month**. This ensures that, when booking a firm capacity product, the system user is guaranteed the right to use a certain natural gas injection capacity during a given injection month.

The individual natural gas injection curve of the system user will be formed by summing the corresponding natural gas injection curves of all auctions in which the system user has booked a bundled capacity product or a two-year bundled capacity product.

For a two-year capacity product in the second storage cycle of use, the natural gas injection curve determined for the first storage cycle of capacity product use shall be applied.

The LNG regasification time may exceed the end of the month. In such a case, so that the system user does not have to book storage capacity for the entire injection month, the system user may agree with another system user on the **transfer of a storage capacity product at his disposal with a corresponding natural gas injection curve for certain gas days**. Accordingly, the draft Amendments clarifications have been made regarding the procedure for the transfer of the storage capacity product and it has been provided that when transferring the capacity product to another system user, the system user must also submit to the system operator information on the period of the natural gas injection curve on gas days, if a natural gas injection curve is intended for the transferred capacity product.

Provision of natural gas injection curve

The draft Amendments stipulate that:

- the amount of natural gas which is less than or equal to the amount of natural gas per gas day determined in the natural gas injection curve of the capacity product at the disposal of the system user is placed in a storage facility with constant injection capacity;
- the amount of natural gas exceeding the specified amount of natural gas per gas day determined in the natural gas injection curve of the capacity product at the disposal of the system user is placed in a storage facility with interruptible injection capacity.

With regard to the trade notifications submitted by 15.00 of the gas day D-1, the storage of natural gas quantities corresponding to the natural gas injection curve of the capacity products allocated to system users are confirmed first, while the placing of the remaining quantities of natural gas in storage facility on gas day D are confirmed by dividing the quantity among system users in proportion to the amount of unused storage capacity of the capacity product available to the system user, as indicated in the trade notification.

If trade notifications are submitted after 15.00 on the gas day at D-1, the storage of quantities of natural gas on gas day D are confirmed in the order of receipt of trade notifications, taking into account the available natural gas injection capacity.

Storage congestion management conditions

Taking into account the introduction of the natural gas injection curve and the injection month concept, the draft Amendments specify the conditions for restricting the injection capacity of the storage facility. By restricting the injection of natural gas into the storage facility, the system operator initially restricts the capacity intended for the interruptible capacity products. However, where there is a need to restrict the injection capacity of bundled capacity products and two-year bundled capacity products, the quantity of natural gas specified in the trade notification used under the bundled capacity product and the two-year bundled capacity product is distributed among system users in proportion to the quantity of natural gas determined in the natural gas injection curve for that gas day.

2) Institutions involved in project development

Pursuant to Article 15(7) of the Energy Law, JSC "Conexus Baltic Grid" was involved in the development of the draft Amendments.

3) Target groups of the society affected or likely to be affected by the legal framework

The regulation included in the draft Amendments will affect system users, as well as JSC "Conexus Baltic Grid".

4) Assessment of the impact on target groups of society affected or likely to be affected by the legal framework

The draft Amendments will have a positive impact on the ability of system users to plan their activities and eliminate the risk of potential congestion of the storage facility during the injection season. The obligation laid down in the draft Amendments to the system operator to determine natural gas injection curves increases the administrative burden of JSC "Conexus Baltic Grid", but the imposed on the use of natural gas injection curves reduces the possibility of storage congestion during the natural gas injection season, thus reducing the administrative burden of JSC "Conexus Baltic Grid". Therefore, the regulation of the natural gas injection curve does not significantly change the administrative burden of JSC "Conexus Baltic Grid".

The Chair

A. Ozola

THE DOCUMENT IS SIGNED WITH A SECURE ELECTRONIC SIGNATURE AND CONTAINS A
TIMESTAMP

The Annex
to consultation document on
amendments to the Regulations of Use

**Amendments to Decision No.1/14 of the Public Utilities Commission of
1 October 2020 “Regulations of Use of Inčukalns Underground Gas
Storage Facility”**

*Issued pursuant to the Energy Law
Article 15(7)*

1. Make the following amendments to the decision of the Public Utilities Commission No.1/14 of 1 October 2020 “Regulations of Use of Inčukalns Underground Gas Storage Facility” (Latvijas Vēstnesis, 2020, No 193; 2021, No. 245; 2022, No 65; 2022, No. 212):
 - 1.1. Sub-paragraph 2.1. shall be replaced by the following:

“2.1. natural gas injection curve – a system operator’s specified distribution of natural gas injection capacity according to the volume of system user’s booked bundled capacity product or two-year bundled capacity product by gas days of the injection month, which the system operator can provide with constant capacity for the storage of natural gas during the injection season.
 - 1.2. the former Sub-paragraph 2.1. shall be considered as Sub-paragraph 2.1.¹;
 - 1.3. the following Sub-paragraph 2.2.¹ shall be added to the decision:

“2.2.¹ month of injection — calendar month during the natural gas injection season, as well as the time period from 1 October to 14 October of each year;
 - 1.4. Sub-paragraph 24.2 and 24.3 shall be replaced by the following:

“24.2. the system operator shall publish on its website, not later than five working days before the specified start of the auction, the storage capacity auction rules specifying maximum amount of storage capacity available for the capacity product in the relevant storage cycle and the corresponding natural gas injection curve, which shall be agreed with the Regulator, or publish on its website no later than five working days before the start of the auction information on the cancellation of the storage capacity auction if any of the circumstances specified in Paragraph 24.¹ of this Regulation occur;

24.3. the system operator shall inform the system user regarding the amount of storage capacity allocated under the relevant capacity product, the premium and the natural gas injection curve applicable thereto not later than the day after the end of the storage capacity auction, by sending the relevant notification to the system user electronically;
 - 1.5. the following Paragraph 24.² shall be added to the decision:

“24.² The system operator shall publish on its website the criteria for determining the natural gas injection curve, which are technically justified and meet the requirements for safe operation of the storage facility, ensuring efficient provision of storage service to system users.”;
 - 1.6. the following Paragraph 34.¹ shall be added to the decision:

“34.¹ The system operator shall confirm the quantity of natural gas indicated in the trade notification in the following order:

34.¹1. during the injection of natural gas into storage facility, if trade notifications have been submitted by 15.00 on the gas day D-1, first confirm the storage of natural gas quantities corresponding to the natural gas injection curve of the capacity products allocated to system users, while the placing of the remaining quantities of natural gas in storage facility on the gas day D shall be confirmed by dividing them among system users in proportion to the amount of unused storage capacity of the capacity product available to the system user, as indicated in the trade notification. If trade notifications are submitted after 15.00 on the gas day D-1, the storage of quantities of natural gas in storage facility on gas day D shall be confirmed in the order of receipt of trade notifications, taking into account the available natural gas injection capacity;

34.¹2. during the withdrawal of natural gas from the storage facility, the withdrawal of the natural gas quantities from the storage facility shall be confirmed in the order of receipt of trade notifications. If, by 15:00 on gas day D-1, the system operator detects the physical congestion of the storage withdrawal capacity on gas day D, the system operator shall allocate the natural gas withdrawal capacity among system users in priority to the bundled capacity product and the two-year bundled capacity product and in proportion to the storage capacity available for their use as part of the congestion management. If, after 15.00 on gas day D-1, the system operator detects a physical congestion on gas day D, the natural gas withdrawal capacity shall be allocated among system users in the order of receipt of the trade notifications, with priority approval of natural gas withdrawals for the bundled capacity product and the two-year bundled capacity product specified in the trade notification.’;

- 1.7. the following Sub-paragraph 39.5. shall be added to the decision:
“39.5. the period of the natural gas injection curve in gas days, if a natural gas injection curve is intended for the transferred capacity product.”;
- 1.8. Paragraph 67.¹ shall be replaced by the following:
“67.¹ Where the system operator restricts the injection of natural gas into a storage facility in the cases specified in Paragraphs 60 and 62 of this Regulation, as well as in cases where maintenance work is performed within the time limits published in accordance with Paragraphs 64 and 65 of this Regulation, the system operator shall reject the quantity of natural gas indicated in the trade notification which is used under the interruptible capacity product, and the quantity of natural gas specified in the trade notification, which is used under the bundled capacity product and two-year bundled capacity product, shall be distributed among system users in proportion to the amount of natural gas determined in the natural gas injection curve for the relevant gas day.”;
- 1.9. the following paragraph 67.² shall be added to the decision:
“67.² Where the system operator restricts the withdrawal of natural gas from storage facility during the gas day in the cases specified in Paragraph 60 of this Regulation, the system operator shall allocate the share of the withdrawal capacity available to natural gas users among system users in accordance with the congestion management procedure specified in Sub-paragraph 34.12 of this Regulation.”;
- 1.10. the following paragraph 82.¹³ shall be added to the decision:
‘82.¹³ The natural gas injection curve to be applied for the 2023/2024 storage cycle to the two-year bundled capacity product allocated to the system user, the use period of which ends at the end of the 2023/2024 storage cycle, shall be determined by

proportioning the natural gas injection capacity to be provided for the injection months to the volume of the allocated two-year grouped capacity product and dividing the injection capacity for the injection month equally among the gas days of the injection month.’;

1.11. Sub-paragraph 1.3. of Annex 2 shall be replaced by the following:

“1.3. Auction procedure used to book the capacity product:

1.3.1. the capacity product shall be booked in a pay-as-cleared auction;

1.3.2 in an auction the capacity product with a corresponding natural gas injection curve for the injection month shall be booked.’;

1.12. Sub-paragraph 1.8. of Annex 2 shall be replaced by the following:

“1.8. injection of natural gas into the storage facility:

1.8.1. in the amount of injection capacity not exceeding the injection capacity per gas day determined by the natural gas injection curve of the capacity product available to the system user: the constant capacity product;

1.8.2. in the amount of injection capacity exceeding the injection capacity per gas day determined by the natural gas injection curve of the capacity product available to the system user: the interruptible capacity product.’;

1.13. the following Sub-paragraph 1.8.¹. of Annex 2 shall be added to the decision:

‘1.8.¹ Withdrawal of natural gas from storage facility: constant capacity product.’;

1.14. Sub-paragraph 2.3 of Annex 2 shall be replaced by the following::

“2.3. Auction procedure used to book the capacity product:

2.3.1. the capacity product shall be booked in a pay-as-cleared auction;

2.3.2 in an auction the capacity product with a corresponding natural gas injection curve for the injection month shall be booked. For the capacity product in the second storage cycle of use, the natural gas injection curve for the first storage cycle of use of the capacity product shall be applied.’;

1.15. Sub-paragraph 2.8 of Annex 2 shall be replaced by the following:

“2.8. injection of natural gas into the storage facility:

2.8.1. in the amount of injection capacity not exceeding the injection capacity per gas day determined by the natural gas injection curve of the capacity product available to the system user: the constant capacity product;

2.8.2. in the amount of injection capacity exceeding the injection capacity per gas day determined by the natural gas injection curve of the capacity product available to the system user: the interruptible capacity product.’;

1.16. the following Sub-paragraph 2.8.¹ of Annex 2 shall be added to the decision:

‘2.8.¹ Withdrawal of natural gas from storage facility: constant capacity product.’

2. The decision shall enter into force the day after its publication in the official publication “Latvijas Vēstnesis”.

The Chair

A. Ozola